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E.O. 12958: DECL: 03/30/2019
TAGS: [ECON](#) [EFIN](#) [BF](#)
SUBJECT: PM VOWS TO INCREASE TRANSPARENCY IN FINANCIAL
SERVICES SECTOR -- TOO LITTLE TOO LATE

REF: NASSAU 149

Classified By: Charge Zuniga-Brown for reasons 1.4(b) and (d).

¶1. (U) Summary: In an address to Parliament on March 25, Prime Minister Ingraham announced his government's plans to 'reaffirm' their commitment to transparency and exchange of information on offshore tax standards. Ingraham said a press release detailing The Bahamas' plans to enforce evolving standards on tax transparency was forwarded to Europe and the Organization for Economic Cooperation and Development (OECD) on March 26, well in advance of the G-20 conference scheduled for April 2. In addition, Ingraham indicated that the Government of the Commonwealth of The Bahamas (GCOB) will consider outstanding Tax Information Exchange Agreements (TIEA) with other countries. Opposition leaders note that the GCOB has completed only one TIEA when OECD criteria specify 'at least eleven tax information exchange treaties' may not be sufficient to prevent The Bahamas from being blacklisted at the upcoming G-20 Summit. End Summary.

GCOB EFFORTS TO AVOID BLACKLISTING

¶2. (U) In an address to Parliament on March 25, Prime Minister Ingraham announced his government's plans to 'reaffirm' their commitment to transparency and exchange of information on offshore tax standards. The PM noted the importance of making this announcement before the G-20 conference scheduled for April 2 in London to avoid 'being unduly penalized or isolated.' Ingraham said a press release detailing The Bahamas' plans to enforce evolving standards on tax transparency was forwarded to Europe and the Organization for Economic Cooperation and Development (OECD) on March 26. Ingraham's statement reaffirms The Bahamas' commitment to OECD standards made nearly a decade after being 'blacklisted' by the OECD by the inclusion on the OECD list of uncooperative tax havens.

GCOB PROMISES TO CONSIDER MORE TIEAs

¶3. (U) GCOB officials have been hopeful that the TIEA, which The Bahamas signed with the U.S. in 2002, would serve as an indicator of ongoing cooperation in tax have abuse matters. In his address on March 25, Ingraham indicated that the one TIEA may not necessarily be enough, and vowed that the GCOB will consider several outstanding TIEA agreements on a case-by-case basis. Members of the financial services industry fully support the GCOB decision to sign more TIEAs, but also

stressed the need for The Bahamas to examine each agreement on an individual basis in order to negotiate a proper reciprocal agreement.

OPPOSITION SAYS PM'S STATEMENT NOT ENOUGH

¶4. (U) Former Attorney General Alfred Sears called the GCOB's response to the current financial offshore threat 'slow and inadequate.' Sears noted that the PM's announcement failed to provide a national strategy to defend the financial services industry from unwarranted attacks from the OECD and the U.S. Sears called on the GCOB to sign at least ten other TIEAs and to aggressively lobby all OECD countries and U.S. media in an effort to stop passage of the proposed Stop Tax Haven Abuse Bill that is currently in U.S. Congress.

COMMENT

¶5. (C) Bahamians are worried about the repercussions of an inclusion on the OECD blacklist, not only for the reputation of the country but also for the stability of the financial services sector, which accounts for 15 percent of the country's GDP. The Governor of the Central Bank of the Bahamas told the CDA in a private meeting that The Bahamas has a strong working relationship with U.S. banking institutions and is hopeful the existing TIEA will help keep The Bahamas off the OECD blacklist. It is clear that The Bahamas is working on the offensive, positioning themselves as best as possible before the G-20 meeting on April 2. Whether

The Bahamas will succeed in keeping themselves separate from the rest of the Caribbean countries tagged as possible tax haven abuse centers remains to be seen.
ZUNIGA-BROWN